Texas House Human Services Interim Charge
Interim Charge Health Care Access and Medicaid

Dear Chairman Frank and Committee Members:

We appreciate your interest in gathering information about innovative approaches and delivery models for the Texas Medicaid Program. The Texas Association of Community Health Plans (TACHP) includes a consortium of 10 Medicaid health plans, also known as health insurance companies or Managed Care Organizations (MCOs). Our health plans are Texas companies that are regionally and locally based, and provide services throughout Texas with unmatched service in terms of cost competitiveness, consumer protections, and provider relations.

As you may be aware, the Texas Medicaid Program has been largely managed by health plans for over 20 years, and has maintained the lowest costs among states overall across the country, while also providing high quality health care. Although the Health and Human Services Commission (HHSC) is reluctant to boast on its accomplishments, its efforts to control cost while maintaining a high quality of care is on par with the best state Medicaid managed care programs nationally, particularly in terms of the advancement in the managed care of individuals with more complex needs.

We are confident Texas has the best model of care for the Medicaid population through the MCOs. Without dispute, the managed care model works most effectively to ensure the Texas Legislature has cost containment with budget certainty because the health plans are at risk for the total cost of care through per member/per month payments (called PMPM) determined by HHSC, and the MCOs must manage their expenditures within those amounts. Because the community health plans are affiliated with large regional/local health care systems in Texas, with hospital(s) as the anchor, along with affiliated clinics and physicians, TACHP is perhaps best able to represent whether direct care models could be more effective for the Medicaid Program. Although we have health plan members that offer direct primary care products, they are improbable for the Texas Medicaid Program.

As background that may be helpful in your evaluation of direct primary care models, the federal Centers for Medicare and Medicaid Services (CMS) has had long-standing parameters that are included in law and regulations that restrict the redesign for Medicaid programs. For instance, limitations typically found in commercial direct care models would not be allowed, such as deductibles, coinsurance, or copayments (which are only allowed for higher income individuals not largely covered by the Texas Medicaid Program). These are not terms that CMS has been willing to waive.

Also, of importance, the SFY 2019 financial performance among the health plans as determined by HHSC shows that the Net Income to Net Revenues (think of it as “profit”) is only 1.5 percent. This figure is before any “clawback” of profit, called experience rebate, that occurs if a health plan makes more than 3 percent profit. The margin is so low, only large well capitalized organizations are able to take on this business. The Texas Department of Insurance requires the health plans to have significant financial reserves totaling in the $100s of millions, and health plans are the only realistic entities to provide and maintain Medicaid services for Texas.

We would like to offer our assistance, and will reach out to the Committee members to discuss the charge with some of our health plan experts.

Sincerely,
Kay Ghahremani
President and CEO